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## Kinds of Trade Agreements

1. Trade between Poland and other countries is conducted on the basis of international trade agreements (clearing agreements), compensatory transactions, and purchase and sale for free currency. Poland's trade agreements with foreign countries, the so-called clearing agreements, are of two kinds:
  - (a) Agreements with the Soviet Union and with the Satellites.
  - (b) Agreements with capitalistic countries.

## Trade Delegations

2. International trade agreements are concluded as a result of negotiations between trade delegations of the respective negotiating countries. A Polish trade delegation consists of a chairman, appointed directly by the Minister of Foreign Trade, several members selected from the Ministry of Foreign Trade, and technical experts selected from among the employees of the Central Offices for Foreign Trade.

## Terms of Trade Agreements

3. Terms of Trade Agreements. Trade agreements may be concluded for one year or for several years. The agreements contain all details on the manner of delivery of goods, destination, date and conditions of payment, penalties for delays in delivery, definition of arbitration in case of disagreements, and a list of import or export goods subject to exchange. In trade agreements of several years' duration the lists of import and export goods are prepared each year. These lists contain a description of goods, giving the exact quantity to be delivered in the course of the year and the approximate value. In agreements with other satellite countries, the quantity of goods named in the list is binding for both contracting sides. The value of the goods is fixed in separate trade agreements between the commercial institutions which execute the trading, which in Poland and other Satellite countries are the Central Offices for Foreign Trade. The Central Offices for Foreign Trade of both contracting governments are ordered to conclude the trade contracts at the latest within 30 days from the date of the

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signing of an international agreement. In trade agreements with Satellite countries, both governments guarantee not only that the contingents named in the list of goods will be fulfilled by the respective trade institutions, but also the issuance of export or import licenses. In clearing agreements with capitalistic countries the lists defining the quantity and approximate value of goods which may be exchanged are different. In such cases the listing of export goods from Poland does not mean that the delivery of such goods is guaranteed. It means only that the government guarantees the issuance of an export license.

#### Conditions of Payment

4. Conditions of payment for Satellite countries are considerably more favorable than for capitalistic countries, because these payments are effected on the basis of the "inkasso document" (a cash transaction). In practice, however, these conditions are even more favorable because the goods are sent to the consignee without any financial insurance and the transportation documents also are made out in the name of the consignee. Upon the dispatch of goods in this manner, the exporter sends through his bank to the buyer's bank a copy of the transportation documents together with his bill and a certificate of the quality of the exported goods. When the buyer's bank receives these documents it sends them to the buyer for his acceptance, and after receiving his acceptance, credits the Polish account. This manner of payment and delivery, the so-called "open account", is the most favorable kind of payment in clearing agreements.
5. The conditions of delivery and payment for capitalistic countries are different. In export trade payment is generally by letter of credit -- irrevocable, divisible, and confirmed by the exporter's bank (the Commercial Bank - Bank Handlowy or the Polish National Bank - Narodowy Bank Polski, both in Warsaw). There are a number of foreign banks in correspondence with these Polish banks and a buyer of Polish goods can open a letter of credit only in such recognized banks. In fact, the Polish exporter does not dispatch his goods before he has been informed by one of the Polish banks that the buyer has opened a letter of credit in an accredited bank.
6. In the case of Polish import of goods from abroad, the situation is again in favor of Poland. In import transactions, the Ministry of Foreign Trade orders the Central Offices for Foreign Trade concerned to demand of the seller the most favorable conditions of payment, and if possible the purchase of goods on "open account" or for cash (inkasso). Only if such arrangements are impossible will they agree to payment through letter of credit, preferably "not confirmed".
7. A financial policy of this kind does not contribute to the development of trade with Western countries. If a Western firm wishes to obtain favorable conditions of payment when importing from Poland, or some guarantee when exporting to Poland, it is discriminated against by the Polish government, and Polish propaganda immediately seizes upon such an example to show how the capitalistic countries make all kinds of difficulties in trade with Poland.

#### General Trade Principles

8. The general principle of Polish foreign trade is the expansion of trade with the USSR and the Satellites, and at the same time restriction of trade with Western countries. However, Poland cannot afford to restrict too much of its trade with capitalistic countries, mainly because the purchase of important raw materials from them is necessary for heavy industry, capital investment and precision tool machines

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which cannot be provided by the USSR. Further, in order to buy these necessary goods Poland must have foreign exchange and in order to get foreign exchange it must export. To make a difficult situation more difficult, Poland is not in a position to export much to capitalistic countries because both in quantity and quality of Polish goods the USSR and the Satellites have priority. For instance, cement is in demand and can be sold easily to capitalistic countries for money with which Poland could buy materials needed in Poland. Specifically, the total Polish export quota for 1952 for cement amounts to 420 thousand tons, but of this amount 320 thousand tons must be exported to the USSR and only the remaining 100 thousand tons is available for export. In actual practice the situation does not follow this plan. Poland must deliver the 320 thousand tons of cement to the USSR by the end of October, but the USSR demands cement deliveries every month. Thus Poland must export to the USSR in November and December an additional 25 thousand tons per month, calculated on the books as deliveries on the next year's account. In this way Poland disposes of 50 thousand tons of cement which had been planned for export elsewhere. The USSR must get its share of cement regardless of the sacrifice to Poland in the quantity of cement available for export for foreign exchange. In this example only 50 thousand tons are left for possible export to Western countries, or one-eighth of the total export quantity. The same is true of other articles which could be sold easily to capitalistic countries.

9. Nevertheless, Poland still exports a certain quantity of goods to the West within the frame of international clearing agreements, which often cover only the conditions of payment in free currency (US dollars or British pounds sterling) but do not specify what kind of goods will be exchanged. Among the commodities which Poland still exports to Western countries are: coal, cement, some chemicals (eg, calcined soda, zinc paint, carbon electrodes and arsenic), and small quantities of gypsum, clays and glass.

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